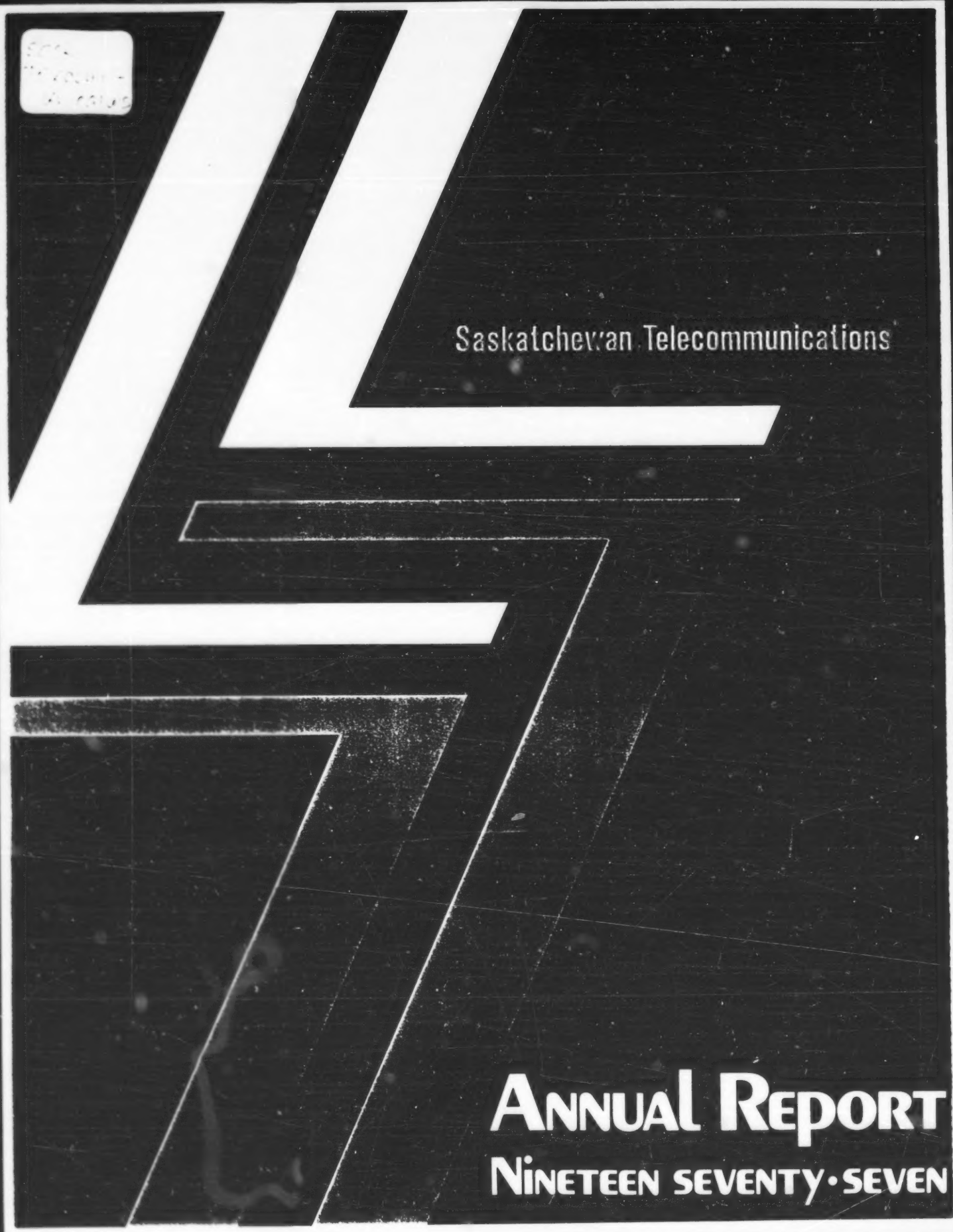

Saskatchewan Telecommunications
ANNUAL REPORT
NINETEEN SEVENTY·SEVEN

Directors

Clockwise beginning at left:

G. D. McCormick — General Manager,

DIRECTORS

W. E. Clarke	— Regina
F. Senft	— Lipton
Mrs. F. Peterson	— Biggar
J. J. West	— Foam Lake
Hon. N. E. Byers	— Chairman
G. W. McIntyre	— Secretary
A. A. Voegeli	— Regina
J. D. Nieman	— Englefeld
P. M. Kilburn	— Regina

Missing from Photograph:

D. G. McMillan	— Regina
Hon. R. J. Romanow	— Saskatoon

101-03323/

Regina, Saskatchewan.
February 24, 1978

To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the
Province of Saskatchewan.

Dear Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1977, including the financial statement therefore, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Minister of Telephones and
Chairman Saskatchewan
Telecommunications

Contents

	Page
Directors	Inside Front Cover
Highlights	1
Review of Activities	3
Auditor's Report	13
Financial Statements	13
Ten-Year Review	18

LEGISLATIVE LIBRARY
LEGISLATIVE LIBRARY DE ONTARIO
TORONTO
MAR 15 1978
RECEIVED

Highlights

— The Report at a Glance

* Telephones in service increased by 64,627 to 516, 312.
* Long distance calls increased by 11.1% to 52,171,000.
* 460 rural companies with 34,224 subscribers elected to be assimilated by SASK TEL.
* Construction expenditures exceeded $103.7 million, up 18.7%, bringing the total value of telecommunications property to $566,488,000.
* Operating revenues increased 17.2% to $135,462,000.
* Operating expenses increased 18.5% to $98,792,000.
* Net income amounted to $17,942,000; down 6% from 1976.
* $8,975,000 appropriated as a dividend to the Province of Saskatchewan.

Saskatchewan Telecommunications

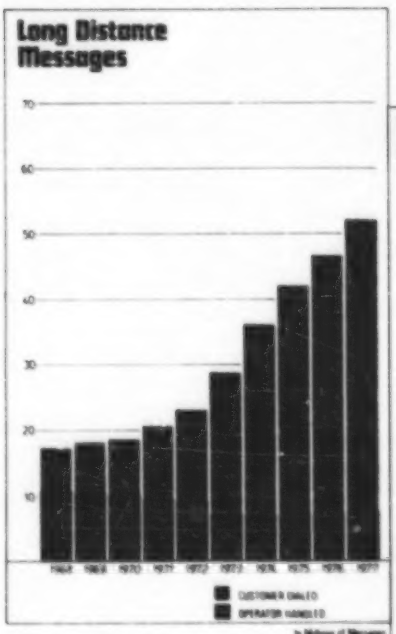
ANNUAL REPORT

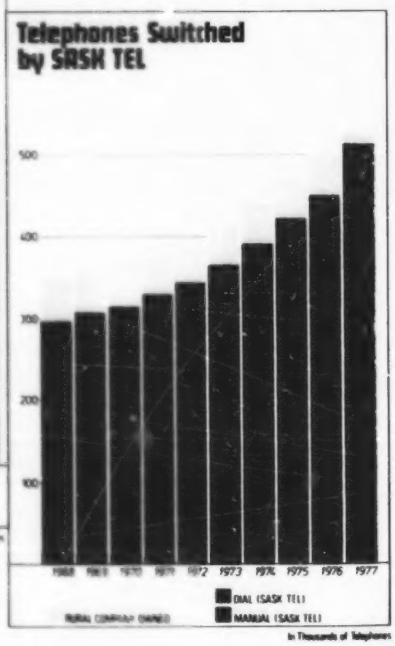
NINETEEN SEVENTY-SEVEN

INTRODUCTION

On June 1, 1977 Saskatchewan Telecommunications completed its 30th year as a crown corporation and its 69th year of providing continuing service to the residents of Saskatchewan. 1977 was a year of continued growth for the corporation. Record levels were achieved in telephones in service, long distance messages handled and construction expenditures. These levels of growth, coupled with the added work load of the Rural Service Improvement Program, cable television, and the Regina downtown core redevelopment project, made 1977 a very busy, complex and challenging year.

G. D. McCormick
General Manager





1 – 2 The last section of long distance pole line in Saskatchewan was dismantled near Melfort during 1977.

3 H. E. Freberg, General Plant Manager.

4 Premier Allan Blakeney made the first official call to commemorate the installation of the 500,000th SASK TEL telephone.

Long Distance

Long distance message growth continued steadily upward in 1977. At year end an all time high of 52,171,000 calls had been placed from within the province, an 11.1% increase over the previous year. The month of June was especially significant as it was the first month in which more than 4.5 million long distance messages were placed by Saskatchewan residents. Of the total calls placed over the year, 85.1% or 44,397,521 were customer dialed. Long distance traffic, a major source of the corporation's revenues and one of the indicators of the economy, has risen dramatically in the last few years. This year's total of 52 million long distance messages originating in the province is three times what it was nine years ago. Additional circuits were put into service at many locations to accommodate this increased use of telecommunications services.

The dismantling of the last section of open wire toll line took place during the year. Although it was only a 12 mile section, it represented the completion of a 19-year program to upgrade long distance service to all of the corporation's community dial offices. Over the length of the program 54 community dial offices had their connecting open wire pole line facilities replaced by either microwave radio links or buried cable. The new facilities are far more reliable as well as being much easier to maintain.

Local Service

Another milestone in the corporation's history was reached in 1977 with the installation of SASK TEL's 500,000th telephone. The occasion was marked with a ceremony that took place in Regina at the Legislative building. Premier Allan Blakeney made the first official call commemorating the event to G. Gordon Milne, a retired SASK TEL employee. The achievement of the half millionth telephone comes only two and one-half years after the 400,000th mark was reached and eight years after the 300,000th.

At year end there were 516,312 telephones in service, an increase of 64,627 over the previous year. The installation of 191,901 telephones (including the assimilation of 34,224 rural subscribers), and the disconnecting of another 127,274 brought about the record net increase.

The number of subscribers served by rural telephone companies decreased dramatically during 1977. At the end of 1976 there were 704 rural companies, serving 47,762 subscribers, in operation in Saskatchewan. One year later the number of rural companies had decreased to 244. This number will gradually decrease over the length of the Rural Service Improvement Program.

The five northern communities of Fond-du-lac, Patuanak, Dillon, Canoe Narrows and Southend received dial service in 1977. Subscribers in these communities now have individual line service and access to the DDD network. As part of an ongoing program, the communities of White City, Pilot Butte and Cochin were upgraded from multi-party line to individual service.

Electronic Switching

The establishment of additional electronic switching systems was a key element in SASK TEL's 1977 capital construction program. These computerized switches, each costing several million dollars, are needed if SASK TEL is to keep pace with the growing communications requirements of Saskatchewan residents. During the course of the year three such systems went into service — in Saskatoon, Regina and Yorkton. To date over 37,000 local lines and 7,100 long distance lines are switched electronically.

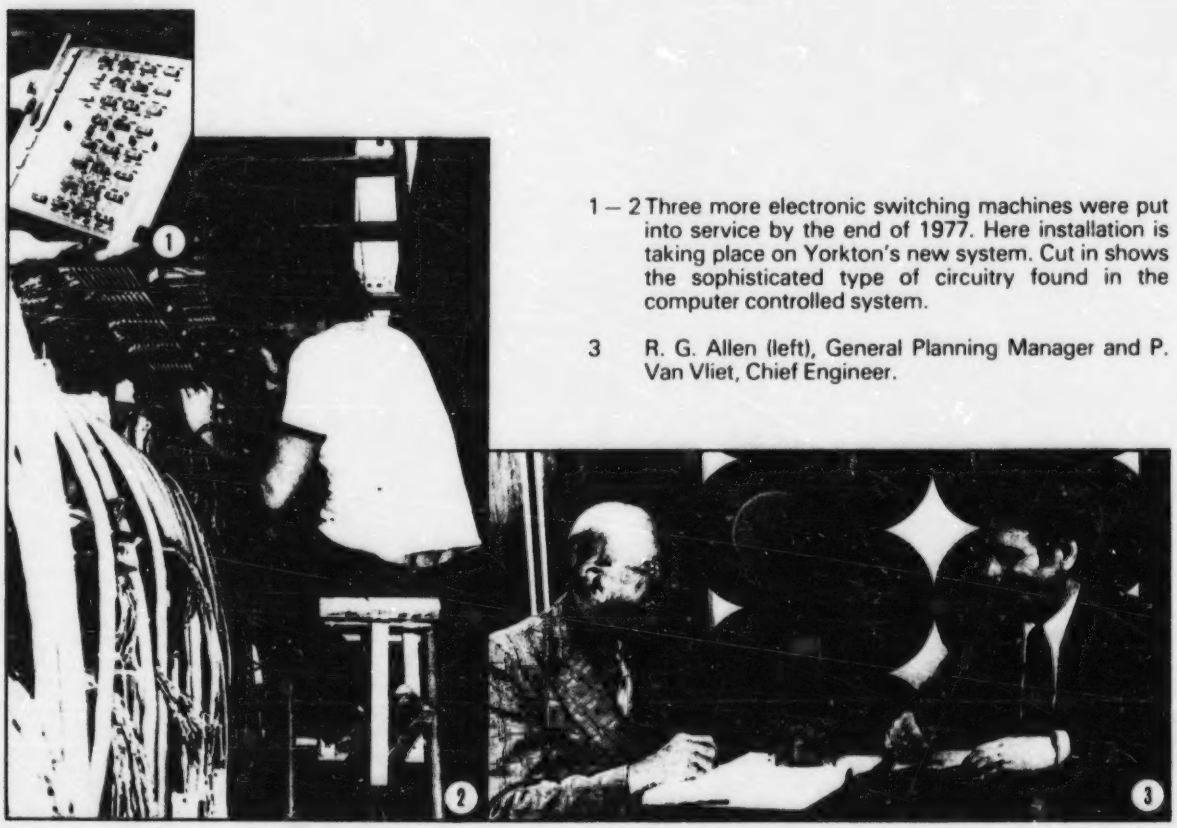
SASK TEL had only three electronic switching systems in service at the end of 1975; by the end of 1977 the total had risen to nine.

On April 24, an electronic toll switching machine was turned-up in Saskatoon. The $8.4 million system was cut into service with an initial capacity of 3,500 long distance lines. Three months later Regina saw its second electronic switching system go to work. This time it was a local machine having an initial capacity of 4,000 lines.

Late in the year, on December 4, 1977, Yorkton took its $5 million leap into the electronic switch age. The initial capacity of Yorkton's switch was 3,000 local lines and 830 long distance lines.

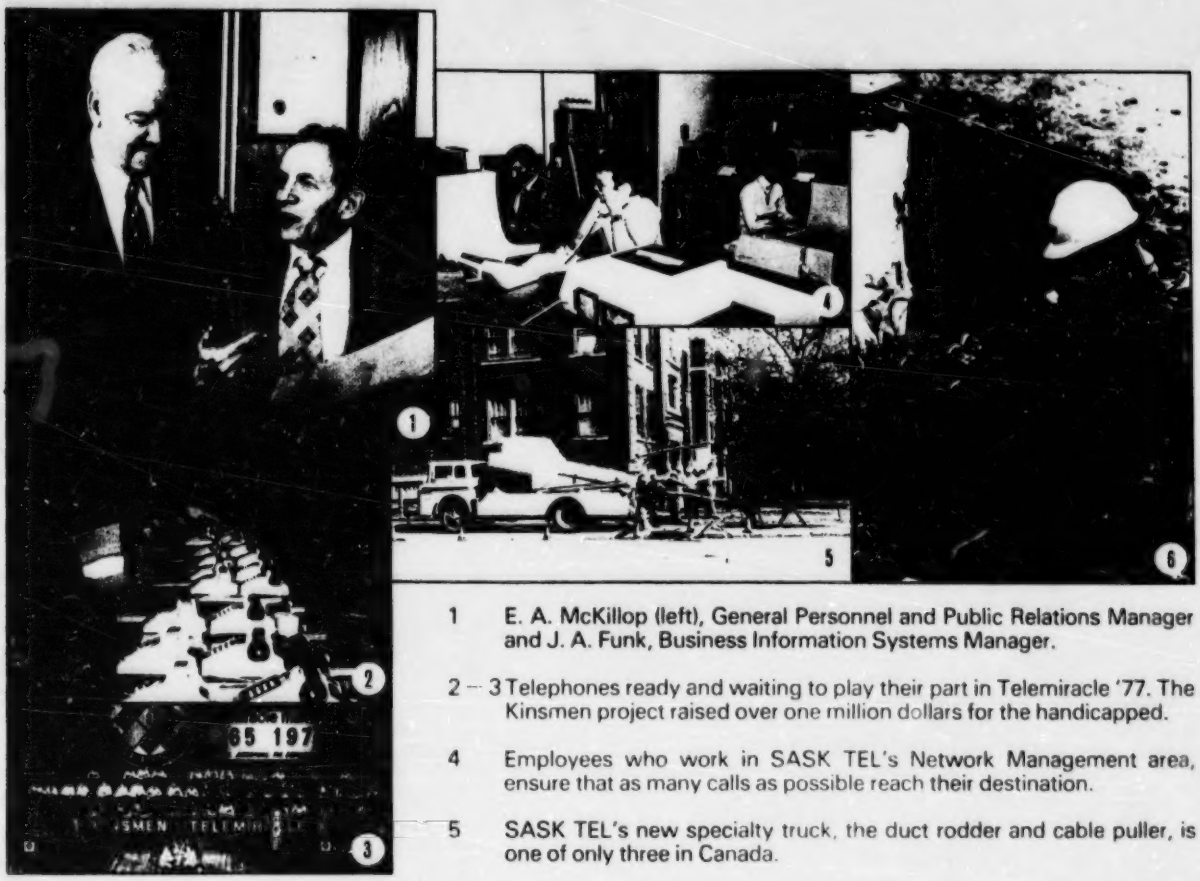
At year end work was under way on the installation of yet another electronic switching machine in North Battleford. It is being assembled in a new building built specifically for the new switch which will be put in service in late 1978.

The new technology found in electronic switching systems provides a host of improvements for both the customer and SASK TEL. Faster local service, less chance of delayed long distance service and more accurate billing are some of the benefits to the customer. Advantages for the company include simplicity of maintenance, ease in program modification and the capability of providing new services in the future.



1 — 2 Three more electronic switching machines were put into service by the end of 1977. Here installation is taking place on Yorkton's new system. Cut in shows the sophisticated type of circuitry found in the computer controlled system.

3 R. G. Allen (left), General Planning Manager and P. Van Vliet, Chief Engineer.



1 E. A. McKillop (left), General Personnel and Public Relations Manager and J. A. Funk, Business Information Systems Manager.

2 – 3 Telephones ready and waiting to play their part in Telemiracle '77. The Kinsmen project raised over one million dollars for the handicapped.

4 Employees who work in SASK TEL's Network Management area, ensure that as many calls as possible reach their destination.

5 SASK TEL's new specialty truck, the duct rodder and cable puller, is one of only three in Canada.

6 Splicing cable pairs is an integral part of the installation of buried cable and wire.

Employees

People are the most important asset of any organization and SASK TEL's employees are no exception. It was due to their expertise, co-operation and enthusiasm that the corporation was able to maintain its high level of service throughout the year.

Their competence and dedication is acknowledged and appreciated by customers and management alike.

A new two year agreement between SASK TEL and the Communications Workers of Canada was signed in October. The contract, covering 3,500 employees, expires on March 24, 1979.

Once again employees across the province demonstrated their outstanding support of their local United Way campaigns. This year over $73,000 was contributed through various employee benevolent fund organizations. Additional sums were donated to many other worthwhile charitable groups.

As part of an ongoing program thirteen employees were on loan to the TransCanada Telephone System (TCTS) in Ottawa at year end. The purpose behind the transfers is to staff the TCTS offices with trained personnel familiar with the operations of the member telephone companies. TCTS, of which SASK TEL is a member, is an organization composed of Canada's nine major telephone companies and Telesat Canada.

Thirty-nine employees were honoured last year in recognition of their achieving 25 years of service with the corporation.

Many of SASK TEL's employees continued to contribute to the needs of their community during 1977. Their involvement in a wide range of activities such as sports programs, cultural activities, church work and many others, like Telemiracle '77, helped to improve the quality of life where they live.

Buildings

A number of new buildings were built in 1977 with extensions added to many existing structures.

At year end demolition work was about to begin in Regina's downtown core in preparation for SASK TEL's new head office building. The start of the project will mark the commencement of Phase II of a construction program designed to give new vitality to the downtown area of the city.

To meet growth requirements both the Regina and Saskatoon main exchange buildings had floors added. In Regina, construction was completed on an addition to SASK TEL's 1825 Lorne Street building. Two floors, the 6th and 7th, were added at a cost exceeding $2 million. Meanwhile in Saskatoon a fifth storey was added to the corporation's 140 - 1st Avenue North building at a cost of $800,000.

The first of six Customer Service Centers to be built by SASK TEL was officially opened during July in Regina. The building, constructed at a cost of $700,000, will help reduce install and repair times and provide more efficient service. At year end work was nearing completion on similar buildings in North Battleford and Weyburn, and well under way on centers in Saskatoon and Prince Albert. The sixth is scheduled to be built at Yorkton in 1978.

Twenty-three sub district work centers were completed during the year. The buildings are part of a program to decentralize the corporation's Plant forces and provide subscribers with better service.

In North Battleford, a new $850,000 switching center building was completed to house a new electronic switching system.

Other projects included the replacement of the Regina east radio building with a larger structure at a cost of over $300,000. In Melfort over $84,000 was spent on a building extension.

A number of dial offices in the province were extended during the year so that switching additions, necessary to handle increased local and long distance growth, could be installed.

1

2

1 The demolition of several downtown Regina buildings took place in preparation for the construction of the new SASK TEL head office building.

2 The first of six customer Service Centers to be built by SASK TEL was officially opened in July at Regina.

Programs & Services

TOPS

A new era in the handling of long distance calls was ushered in during 1977 with the introduction of TOPS (Traffic Operator Position System). With the ultra modern TOPS system, the operator uses a push button keyboard to complete calls. Gone are the jacks and cords associated with toll switchboards and in their place are electronic circuits and computer technology.

TOPS has provided a dramatic change in the operators' work environment which had remained virtually unchanged over the last fifty years. Saskatoon was the first toll center to receive TOPS with 48 units being put into service in April.

One of the benefits of the new system which subscribers will notice is a reduction in the length of time necessary for an operator to handle a call. Besides being a new and more comfortable working environment, TOPS will drastically reduce a number of manual tasks and allow the operator to complete a greater number of calls.

Rural Service Improvement

SASK TEL's Rural Service Improvement Program received outstanding support from rural subscribers during 1977. In the first year of the program no less than 460 rural telephone companies comprising 34,244 subscribers were assimilated.

The majority of the rural companies were assimilated on an "as is" basis with improvements to take place over the length of the seven year program. The corporation recognizes that the scheduling of service improvements to the assimilated companies, as with any program of this magnitude, will require careful planning and several years to complete.

A record amount of cable and wire was buried during 1977. A large portion of this can be directly attributed to the Rural Service Improvement Program which saw the burying of 4,753 miles of cable and wire.

Even though SASK TEL has more cable and wire buried than ever, the assimilation of 460 rural companies has meant the acquisition of many hundreds of miles of pole line facilities and the responsibility for its maintenance.

1 G. A. Spencer, General Traffic Manager.

2 Over 4,700 miles of cable and wire were buried in the first year of SASK TEL's Rural Service Improvement Program.

3 The ultra modern TOPS (Traffic Operator Position System) was introduced in Saskatoon during the year.

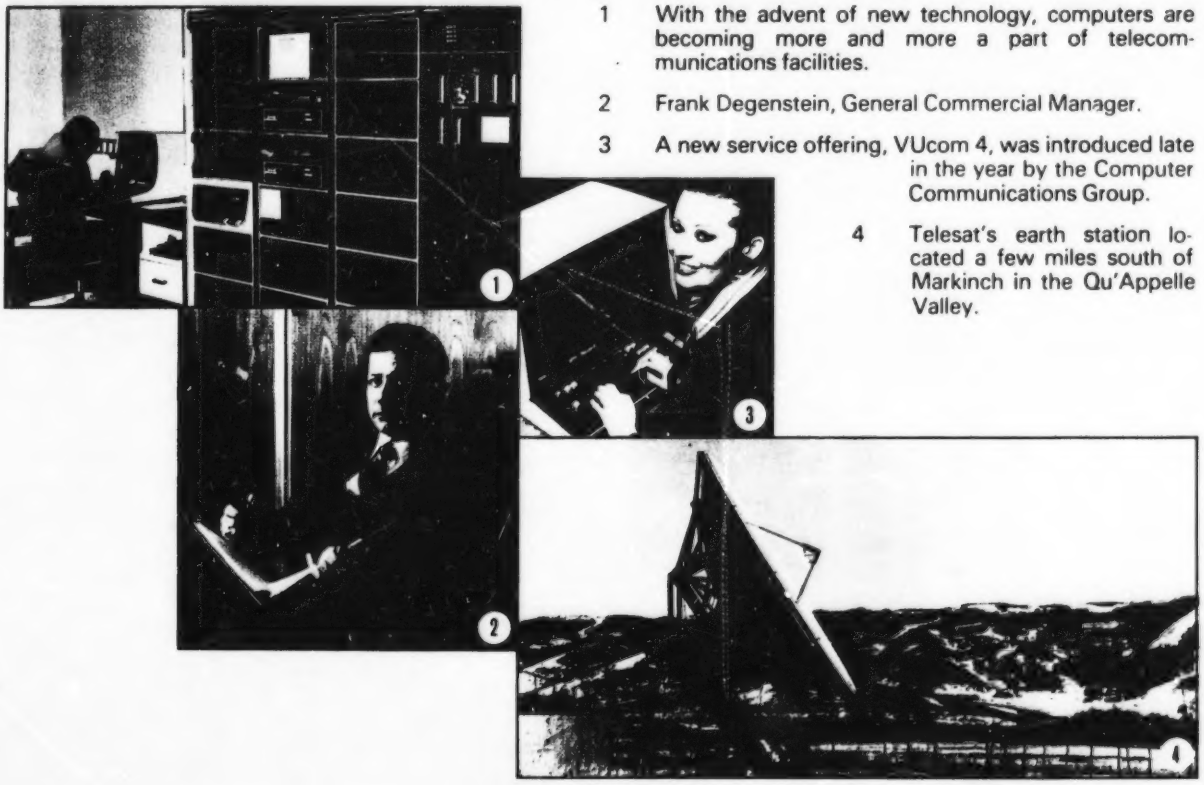
4 W. G. Robinson (left), Superintendent of Rural Telephones and T. A. Howe, the corporation's General Counsel.

Computer Communications

VUcom 4 became the latest addition to the VUcom line of visual display terminals late in 1977. Introduced by the Computer Communications Group, the unit was specifically designed to meet customer requirements for a low cost visual display terminal. The terminal has the capacity to display over 1,900 characters on 35 lines and can handle data up to the speed of 9,600 bits per second.

Canfarm, an accounting and management information system for Canadian farmers, became SASK TEL's first Datapac customer in December. The federal government agency is using Datapac to increase farm efficiency and improve profits. With the system, Canfarm representatives call in farmers' requests to the provincial office and from there, using Datapac, connect with the agency's computer in Guelph.

It's the sharing of expensive facilities which makes Datapac attractive to customers who do not need dedicated facilities for which they would have to pay a set rate regardless of how often they used them. Customers on the Datapac network only pay for each "packet" of data they send — similar to the way telephone customer's pay for each long distance call.

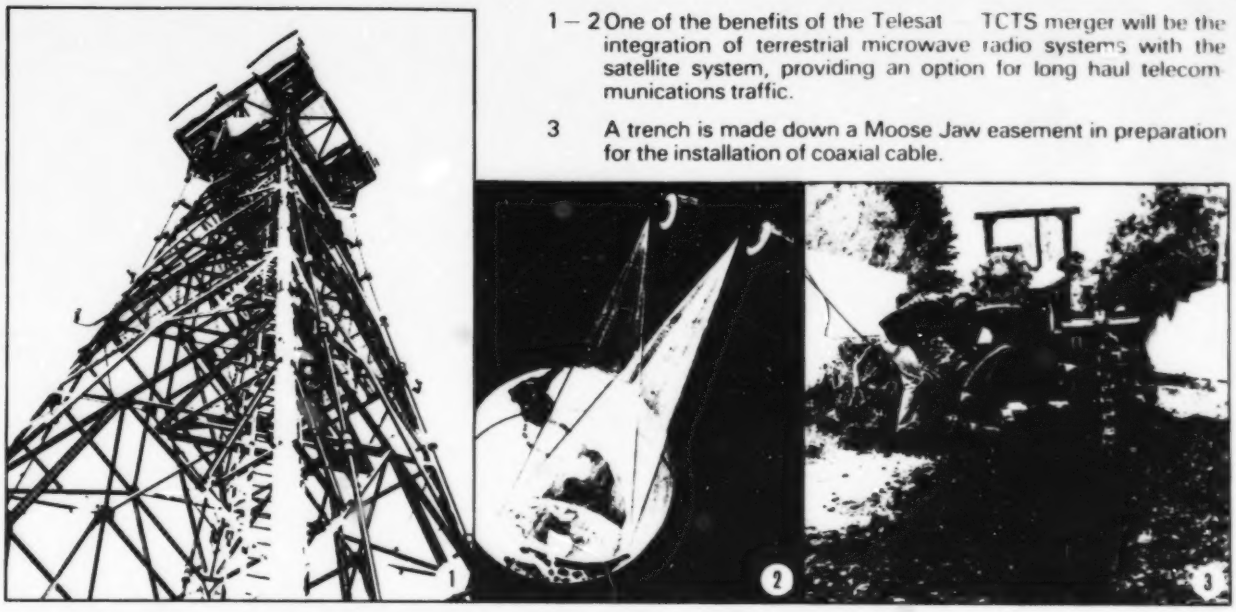


1 With the advent of new technology, computers are becoming more and more a part of telecommunications facilities.

2 Frank Degenstein, General Commercial Manager.

3 A new service offering, VUcom 4, was introduced late in the year by the Computer Communications Group.

4 Telesat's earth station located a few miles south of Markinch in the Qu'Appelle Valley.



1 – 2 One of the benefits of the Telesat – TCTS merger will be the integration of terrestrial microwave radio systems with the satellite system, providing an option for long haul telecommunications traffic.

3 A trench is made down a Moose Jaw easement in preparation for the installation of coaxial cable.

TransCanada

Telesat Canada, the corporation which operates the communications satellite system, became the tenth member of the TransCanada Telephone System during 1977.

Immediate benefits of the merger will include the availability of new communications services to Canadians as well as a new generation of satellites. The union will also allow for the integration of the terrestrial microwave system with the satellite system providing an option for long haul telecommunications traffic.

Telesat Canada is owned jointly by Canadian telecommunications companies and the federal government.

In the latter part of 1977 it was announced that TCTS president E. D. Thompson would step down at year end in order to assume his new duties as president of the New Brunswick Telephone Company Limited. Mr. Thompson had been the president of TCTS since 1974. At the same time it was announced that T. F. Heenan of the British Columbia Telephone Company would succeed Mr. Thompson.

Cable TV

The jurisdictional problems surrounding cable television were resolved during 1977. The provincial government reached an agreement with the federal government which cleared the way for the provision of service.

In the latter part of 1977 the North Battleford Cable Co-operative applied to the Canadian Radio-Television and Telecommunications Commission (CRTC) for a change in hardware ownership conditions to their licence. The change was approved late in 1977 and test signals to North Battleford subscribers were delivered from the head end of the microwave system at Outram.

After approval of the North Battleford agreement, contract negotiations between the other three federal licencees and SASK TEL were accelerated. An agreement was reached at year end with a contract signed a few days later. Following the contract settlement the other licencees in Moose Jaw, Regina and Saskatoon also made application to the CRTC for changes in their licences similar to those approved for the North Battleford Cable Co-operative.

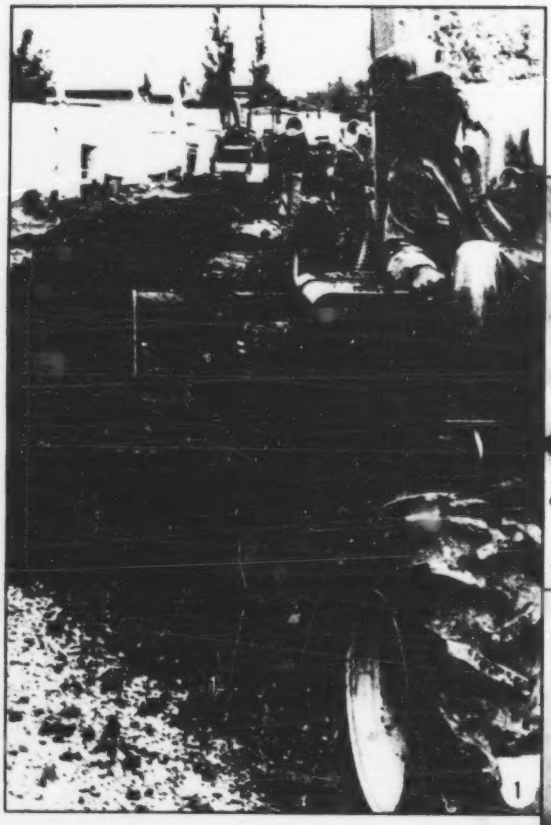
While negotiations were taking place cable TV construction work was continuing. At year end the majority of the cable distribution plant was installed, and at this writing, test signals are being carried on the new system in Regina and Saskatoon.

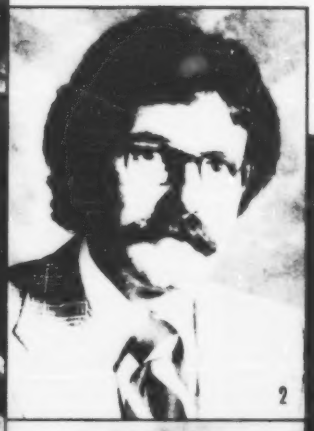
SASK TEL intends to use the basic coaxial cable distribution system for the delivery of signals for the Co-operative Programming Network in the near future.

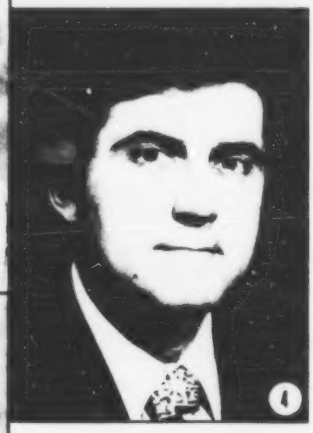
New Board Members

Three new members were appointed to SASK TEL's board of directors during the year. P. M. Kilburn, Corporate Officer of Government Finance Office and D. G. McMillan, Director of Communications Secretariat, were added to the board bringing the total number of members to 10.

Hon. R. J. Romanow, Attorney General for the province, was appointed to the board as vice-chairman replacing Hon. E. B. Shillington.





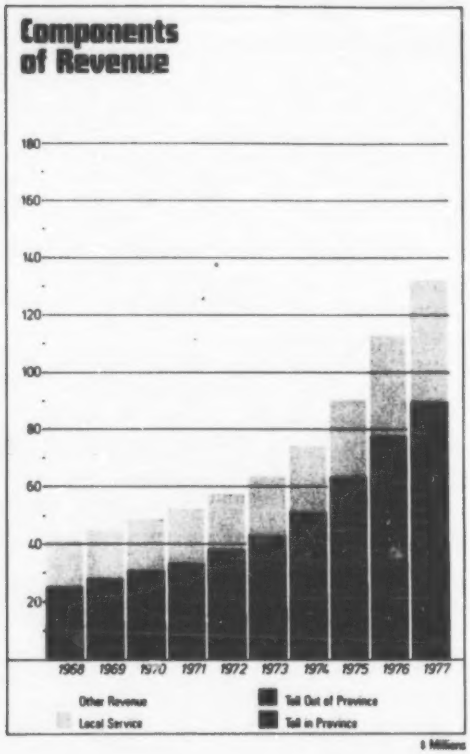


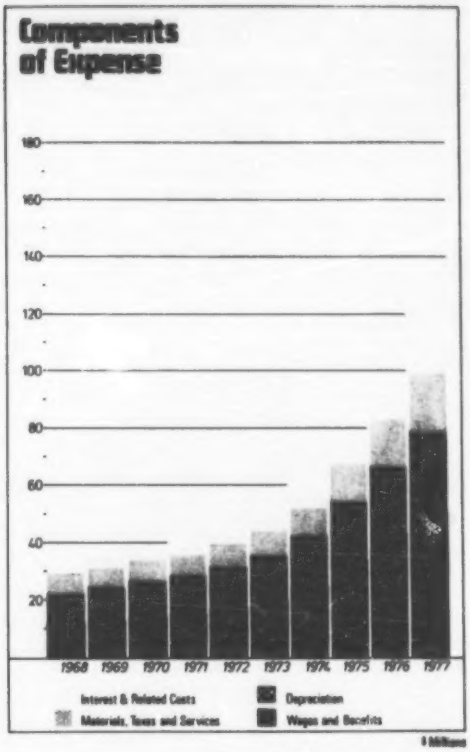
1 The installation of coaxial cable for cable TV service was a major activity for the corporation during the year.

2 D. G. McMillan

3 P. M. Kilburn

4 Hon. R. J. Romanow





Financial

N. F. Stepan,
Comptroller

The following statements reflect the continued high demand for our service in all facets of our business.

Operating revenues totalled $135.5 million in 1977, an increase of 17.2% over 1976. The growth in telephones in service and long distance calling as well as the revised rates implemented on April 1 are reflected in the increase.

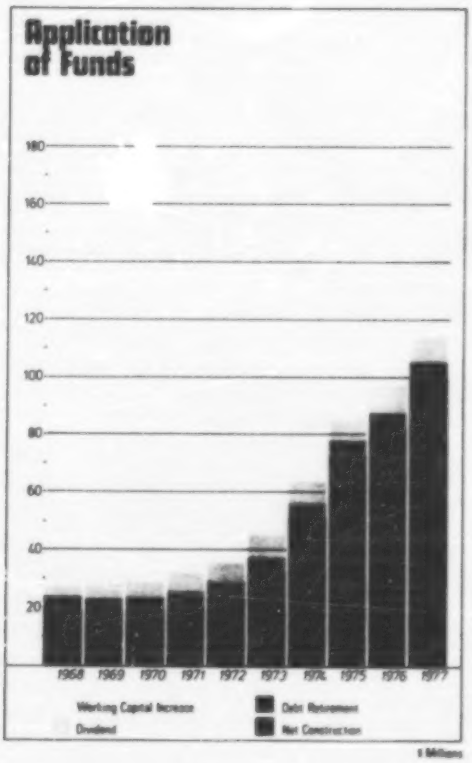
Operating expenses of $98.8 million were $15.5 million (18.5%) greater than 1976. The increased costs are a result of the necessity to service and maintain a growing telecommunications plant to provide for the accelerated customer service demands. Although the inflationary pressures eased somewhat in 1977, the corporation still had to pay higher prices for labour and the broad range of other commodities and services used in the telecommunications business.

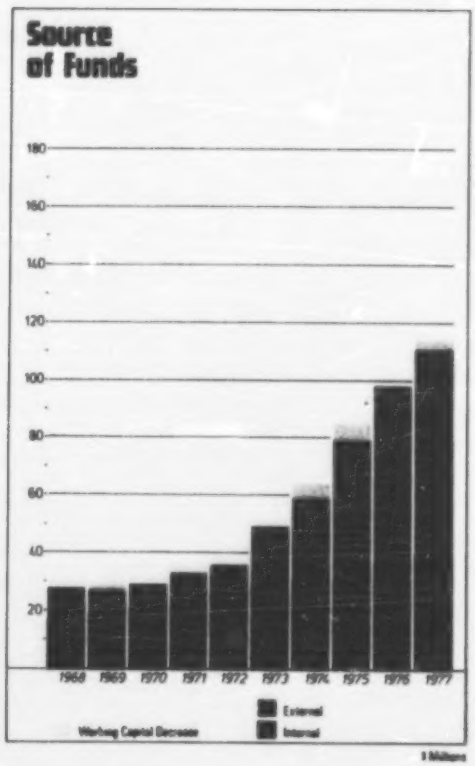
Interest and related costs increased by $8.3 million to $22.2 million in 1977. The corporation does not generate sufficient funds from operations to finance the expanding telecommunications property requirements. The cost of the additional net external financing of over $71 million is the major factor in the increase.

Net income of $17.9 million is down $1.1 million (6%) from 1976. This represents a rate of return on average capital employed of 4.8%.

One half of the 1977 net income has been declared as a dividend and will be paid into the consolidated fund of the Province of Saskatchewan for its general use.

The total capital program for the year is outlined on the statement of changes in financial position. Construction expenditures required to provide the added telecommunications property required for the growth in our services amounted to $103.7 million bringing our total plant at December 31, 1977, to $566.5 million, up 20.3%. These expenditures along with the sinking fund and advance repayments and the dividend to the Province of Saskatchewan brought the total capital program to $114.6 million. Funds flow from operations provided $39.9 million or 35% of total fund requirements. The balance was provided by a working capital reduction and long term advances in the form of twenty-five year 9% bonds in the amount of $25 million and $50 million, 8.625% United States pay bonds due in the year 2007.





Statement of Income

For the Year Ended December 31

	1977	1976
	Thousands of Dollars	
OPERATING REVENUES		
Local Service	$ 42,706	$ 34,963
Toll Service	89,699	77,864
Other Revenues (Note 2)	3,057	2,762
TOTAL OPERATING REVENUES	135,462	115,589
OPERATING EXPENSES		
Salaries	45,260	38,559
Pensions and Other Employee Benefits	5,730	5,198
Depreciation	27,392	23,106
Materials, Services and Taxes	20,410	16,471
TOTAL OPERATING EXPENSES (Note 3)	98,792	83,334
NET OPERATING REVENUE	36,670	32,255
OTHER INCOME	3,462	669
	40,132	32,924
INTEREST AND RELATED COSTS (Note 4)	22,190	13,863
NET INCOME	$ 17,942	$ 19,061

The accompanying notes are an integral part of the financial statements.

Auditor's Report

To the Members of the Legislative Assembly
of the Province of Saskatchewan:

I have examined the statement of financial position of Saskatchewan Telecommunications as at December 31, 1977 and the statements of income, changes in financial position and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

W. G. Lutz, C.A.,
Provincial Auditor.

Regina, Saskatchewan,
February 17, 1978.

Statement of Changes in Financial Position

For the Year Ended December 31

	1977	1976
	Thousands of Dollars	
SOURCE OF FUNDS		
Operations		
Net Income	$ 17,942	$ 19,061
Add: Depreciation and Other Items not requiring Current Funds	21,999	17,500
	39,941	36,561
External		
Advances and Notes Payable (Net)	71,050	61,547
Working Capital Decrease (Increase)	3,581	(939)
	$ 114,572	$ 97,169
APPLICATION OF FUNDS		
Construction Expenditures		
Gross	$ 103,739	$ 87,179
Less: Net Salvage Value of Plant Retired Capital Contributions and Other Items not requiring Current Funds	4,196	4,912
	99, 543	82, 267
Sinking Fund Installments and Advance Repayments	6, 054	5,402
Dividend — Province of Saskatchewan	8,975	9,500
	$ 114,572	$ 97,169

Statement of Retained Earnings

For the Year Ended December 31

	1977	1976
	Thousands of Dollars	
Balance at Beginning of Year	$ 91,230	$ 81,669
Add: Net Income	17,942	19,061
	109,172	100,730
Less: Dividend — Province of Saskatchewan	8,975	9,500
Balance at End of Year	$ 100,197	$ 91,230

Statement of Financial Position

As At December 31

	1977	1976
	Thousands of Dollars	
Assets		
Telecommunications Property		
Land, Buildings and Equipment	$ 521,918	$ 416,780
Plant Under Construction	35,175	44,418
Material and Supplies	9,395	9,794
	566,488	470,992
Less: Accumulated Depreciation	144,862	123,150
	421,626	347,842
Investment — Telesat Canada (Note 5)	999	999
Current Assets		
Cash and Investments	526	411
Accounts Receivable	20,457	18,666
Prepayments	1,051	866
	22,034	19,943
Unamortized Discount on Advances	3,446	2,445
	$ 448,105	$ 371,229
Liabilities		
Long Term Debt		
Advances from the Province of Saskatchewan (Note 6)	$ 350,715	$ 278,952
Less: Equity in Sinking Funds (Note 6)	46,747	42,753
	303,968	236,199
Retained Earnings	100,197	91,230
Notes Payable (Note 7)	5,500	10,800
Current Liabilities		
Accounts Payable	20,270	15,999
Interest Accrued on Advances	5,704	4,194
Dividend — Province of Saskatchewan	8,975	9,500
Service Billed in Advance	1,905	1,489
	36,854	31,182
Unamortized Gain on Retirement of Advances before Maturity	1,586	1,818
	$ 448,105	$ 371,229

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Telecommunications Property

Telecommunications Property is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily identifiable and quantifiable with the construction activity. In addition, the Corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Depreciation

Depreciation is computed on the straight line method using rates as determined by a continuing program of engineering studies for each class of property in service. The composite depreciation rate on the average depreciable telecommunications property in service was 6.33% in 1977 (6.22% in 1976).

PENSION FUND OBLIGATIONS

SASK TEL Superannuation Plan

Under this Plan, SASK TEL provides service pensions for its employees based on age, length of service and rates of pay. The costs are met on a current basis through regular payments into the SASK TEL Superannuation Fund. An actuarial valuation of the Fund at December 31, 1974, indicated that all vested interest of former employees are fully funded. The valuation further indicates that to fund fully the estimated future obligations to present employees over their working lifetime, SASK TEL continue contributions at the same levels as in previous years. SASK TEL continues to follow this policy. SASK TEL and employee contributions accrued and paid into the Superannuation Fund are as follows:

	1977	1976
	Thousands of Dollars	
SASK TEL	$ 5,277	$ 4,658
Employee	2,863	2,329
	$ 8,140	$ 6,987

Public Employees Superannuation Plan

SASK TEL provides pensions for employees covered under this Plan by the purchase of an annuity from the employee 5% of salary contribution and the matching SASK TEL contribution plus the interest accumulated to retirement date. The Plan applies to all employees hired on or after October 1, 1977. All other employees have the option to transfer to this Plan by October 1, 1978. The costs are met on a current basis through regular payments into the Public Employees Superannuation Plan. SASK TEL pension costs accrued and paid into the Plan amounted to $6,000 in 1977.

Gain on Retirement of Advances Before Maturity

Under a modified Sinking Fund Policy, advances may be retired prior to maturity through cancellation of the Province of Saskatchewan bonds held in the Sinking Fund. Any gain is amortized over the remaining life of the advance. An amount of $233,000 was amortized and credited to income in 1977 ($264,000 in 1976).

NOTE 2 — OTHER REVENUES

	1977	1976
	Thousands of Dollars	
Directory Advertising and Sales	$ 2,303	$ 1,862
Rural Company Connecting Fees	406	614
Building and Other Rentals	1,029	867
Uncollectible Operating Revenues	(681)	(581)
	$ 3,057	$ 2,762

NOTE 3 — OPERATING EXPENSES

The 1977 operating expenses have been classified by the major cost component, with 1976 figures restated to conform with the 1977 presentation.

NOTE 4 — INTEREST AND RELATED COSTS

	1977	1976
	Thousands of Dollars	
Interest on Advances and Notes	$ 27,558	$ 19,394
Amortization of Discount	226	199
	27,784	19,593
Less: Sinking Fund Earnings	3,754	3,089
Gain on Debt Retirement	233	276
Interest Charged Construction	1,607	2,365
	$ 22,190	$ 13,863

NOTE 5 — INVESTMENT — TELESAT CANADA

This investment represents 99,900 common shares no par value, of Telesat Canada at an issue price of $10 per share.

NOTE 6 — ADVANCES FROM THE PROVINCE OF SASKATCHEWAN

Percent	Due Date	Original Advance	Outstanding Advance	
		Thousands of Dollars		
5.250	June 1, 1978	$ 5,000	$ 4,038	
5.000	Sept. 30, 1979	3,000	2,118	
6.000	Oct. 1, 1979	7,500	6,366	
5.250	Oct. 16, 1981	7,000	3,535	
5.500	Nov. 15, 1982	5,000	3,225	
5.000	Sept. 1, 1983	10,800	8,983	
4.750	Jan. 2, 1984	5,000	2,837	(a)
5.500	Jan. 15, 1984	8,000	5,878	
5.500	July 15, 1985	5,000	3,285	
5.500	Dec. 1, 1985	9,000	6,347	
5.650	1986	7,401	7,401	(b)
5.698	1987	2,682	2,682	(b)
6.000	Mar. 1, 1987	5,000	3,947	
6.549	1988	2,000	2,000	(b)
7.541	1989	10,100	10,100	(b)
8.093	1990	9,806	9,806	(b)
4.875	Oct. 1, 1990	10,000	7,790	(a)
7.125	1991	9,461	9,461	(b)
7.528	1992	15,093	15,093	(b)
7.689	1993	8,644	8,644	(b)
7.750	Feb. 15, 1998	5,000	5,000	
8.250	Dec. 3, 1998	15,000	15,000	
10.000	Dec. 2, 1999	25,000	25,000	(c)
9.875	Nov. 3, 2000	30,000	30,000	(d)
10.250	Apr. 1, 2001	25,000	25,000	(e)
9.000	Feb. 1, 2002	25,000	25,000	(f)
8.700	Nov. 15, 2006	50,000	49,676	(a)(g)
8.625	May 15, 2007	50,000	52,503	(a)(h)
			350,715	
Less: Equity in Sinking Funds.			46,747	(i)
Net Long Term Debt December 31, 1977			$ 303,968	

(a) Advances repayable in United States dollars are recorded in Canadian dollar equivalents at time of issue and amount to $112,806,000. Based on foreign exchange rates prevailing as at December 31, 1977, the Canadian Dollar equivalent would amount to $120,400,000. The difference in foreign exchange premium or discount prevailing at the time of maturity will be charged or credited to income at that time.

(b) Advances totaling $65,187,000 received through the Canada Pension Plan under 20 year terms, are subject to redemption on six months notice.

(c) Subject to prior redemption on December 2, 1994 or any interest payment date thereafter.

(d) Subject to right of prepayment on November 3, 1983, if the holder so elects. Also subject to prior redemption on November 3, 1995, or any interest payment date thereafter.

(e) Recallable in full after April 1, 1996, at option of Province of Saskatchewan.

(f) Redeemable after February 1, 1997, at option of Province of Saskatchewan.

(g) Redeemable on November 15, 1991, at option of SASK TEL subject to payment of premium.

(h) Redeemable after May 15, 1992, at option of Province of Saskatchewan on a reducing premium basis to May 14, 2002, and redeemable at par thereafter.

(i) Under conditions attached to all Advances, SASK TEL is required to pay annually into Sinking Funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of Advances received.

(j) Total Sinking Fund installments and Advance repayments (net of Sinking Fund Equity) on outstanding debt over the next five years are as follows:

1978 — $7,377,000
1979 — $6,114,000
1980 — $5,197,000
1981 — $6,685,000
1982 — $6,149,000

NOTE 7 — NOTES PAYABLE

Notes payable represents interim capital financing arranged under Lines of Credit established with the Province of Saskatchewan and the Bank in the aggregate amounts of $25 million and $15 million respectively.

NOTE 8 — ANTI-INFLATION PROGRAM

The Government of Saskatchewan established The Saskatchewan Public Sector Price and Compensation Board to administer and enforce the price and compensation guidelines within the provincial public sector. SASK TEL is subject to, and is acting in accordance with the guidelines of the Board.

NOTE 9 — CONTINGENCIES

SASK TEL is a defendant in several court actions related to the expropriation of lands in downtown Regina. Some of these actions contest the validity of the expropriation. Others contest the amount of compensation offered for the lands. One action alleges severance damage. On advice of counsel, SASK TEL is contesting all these actions and believes that it has valid defences to them. Provision has been made for these actions in the amount of compensation offered for the lands.

SASK TEL

TEN-YEAR RECORD of PROGRESS

at December 31	1977	1976	1975	1974
TELEPHONES				
SASK TEL Owned	516,312	451,685	421,792	390,973
Connected*	191,901	140,998	142,284	125,643
Net Increase*	64,627	29,893	30,819	24,458
Rural Company Owned (Switched by SASK TEL)	13,687	47,762	49,721	50,254
Telephones Per 1000 People	563	531	510	485
NUMBER OF EXCHANGES	338	335	332	330
NUMBER OF TOLL OFFICES	12	18	22	24
LONG DISTANCE MESSAGES (Thousands of Messages)				
(Origin — Saskatchewan)*	52,171	46,948	42,342	36,126
FINANCE (In Thousands of Dollars)				
Operating Revenues*	$ 135,462	$ 115,589	$ 92,103	$ 76,566
Operating Expenses*	$ 98,792	$ 83,334	$ 67,316	$ 52,164
Interest and Related Costs*	$ 22,190	$ 13,863	$ 9,837	$ 7,428
Net Income*	$ 17,942	$ 19,061	$ 15,194	$ 17,516
Dividend — Province of Saskatchewan*	$ 8,975	$ 9,500	$ 7,600	$ 8,750
Gross Construction Expenditures*	$ 103,739	$ 87,179	$ 76,567	$ 54,085
Telecommunications Property	$ 566,488	$ 470,992	$ 394,900	$ 331,488
Advances from Province of Saskatchewan	$ 350,715	$ 278,952	$ 208,276	$ 182,154
Debt as a Percent of Year-End Capital	75.5%	73.0%	70.3%	67.2%
EMPLOYEES AND PAYROLL				
Number of Employees	3,820	3,622	3,344	2,974
Salaries Earned* (Thousands of Dollars)	$ 58,953	$ 50,087	39,908	$ 29,325

*For the Year Ended December 31

1973	1972	1971	1970	1969	1968
366,515	344,661	328,126	314,981	306,883	297,009
123,372	110,233	100,608	94,527	96,581	94,817
21,854	16,535	13,145	8,098	9,874	14,987
50,648	50,616	50,723	51,062	51,583	52,357
459	431	409	393	376	364
332	337	345	359	370	376
26	26	18	21	42	49
28,995	23,170	20,653	18,896	18,272	17,351
$ 66,237	$ 59,777	$ 53,885	$ 50,546	$ 47,095	$ 43,266
$ 44,175	$ 39,636	$ 35,753	$ 33,821	$ 30,892	$ 29,101
$ 6,027	$ 5,836	$ 5,506	$ 5,366	$ 5,661	$ 5,614
$ 16,366	$ 14,435	$ 12,723	$ 11,718	$ 10,776	$ 8,593
$ 8,150	$ 7,200	$ 6,350	$ 5,850	$ 5,400	$ 4,300
$ 36,010	$ 25,616	$ 22,660	$ 22,418	$ 22,866	$ 22,590
$ 287,178	$ 261,329	$ 246,289	$ 232,742	$ 220,637	$ 205,545
$ 159,303	$ 137,712	$ 139,144	$ 132,102	$ 147,831	$ 137,580
66.5%	66.9%	69.6%	71.9%	74.8%	77.4%
2,695	2,556	2,449	2,434	2,435	2,447
$ 23,339	$ 20,395	$ 17,896	$ 16,352	$ 15,349	$ 14,398